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2010 SMALL SAWMILL IMPROVEMENT
PRACTICAL POINTERS TO FIELD AGENCIES

III-04-FPL-C-2

POSIT ACCOUNTING -- SINGLE LOGGING CHANCE AS UNIT

Small-mill owners as a class carry no accounting systems adequately picturing their complete costs. The resulting misconception of costs leads them into unprofitable contracts and is conceded to be a major cause of the high business mortality in the small-mill field. From a broader point of view the effect of considerable numbers of poorly financed small mills undertaking impossible contracts and under constant pressure to liquidate is to weaken the price structure of the lumber industry and at the same time wreck the forest capital.

The elementary system enclosed is directed toward the thousands of small-mill owners keeping no accounts. Their characteristic confidence that they know their full costs may prove a serious obstacle in getting them to assimilate information on how to keep accounts. Enlisting the interest of the mill owner is likely to call for versatility. In some instances the cooperation of trade associations, concentration yard operators, bankers, and county agents can be relied upon. Manufacturers of sawmill equipment might publish the information in account book forms for distribution at fairs. Once interest is awakened it seems likely that the contact agent can well work with the individual mill, taking time to fit the accounting to the mill's needs and initiating the operator in the details.

The enclosed system is suggested as an outline to be used for portable mill accounting. It differs from the system recommended for stationary mills and concentration yards chiefly by using the job or timber tract as the basis instead of the usual yearly time interval. The information thus secured gives for any tract analyzed the total "out of pocket" costs of liquidating the timber and the total receipts derived. From this is secured the balance representing payment for the owner's time and interest on his invested capital.

The system suggested also provides a record of payments and receipts essential to even elementary business relationships, and by allowing for depreciation, equipment repairs, and taxes should bring to light some actual costs that should be recognized in small-mill operations.

Modifications to fit individual operations will readily suggest themselves, i.e., where any part of the work is on a contract basis the labor ledger on page 2 is altered to show the total expenditures under contract instead of under a daily wage system. The system can be used in operations getting a percentage of cut from sources outside the tract by allowing for costs and receipts on a percentage basis provided the percentage is checked and the costs and values weighted. For such operations, however, the standard accounting based upon yearly intervals and annual inventories is recommended.

R899-4

Contributed by C. J. Telford,
Forest Products Laboratory,
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† Maintained at Madison, Wisconsin in cooperation with the University of Wisconsin.

* See outline in Small Sawmill Improvement Working Plan, March 1930, for explanation of indexing system proposed

TIMBER ACCOUNT

A record of all purchases, payments, and carrying costs of timber

Job No.	Date purchased	Bought from	Quantity			Purchase price		Carrying costs	
			Acres	Estimated	Actual (1)	Total	Paid	Item	Date
				M. B.F.	M. B.F.		Amount		Amount
1	1/30/29	Jones, L.	160	800M	760M	\$2400	1/30/29 \$1200	Taxes	6/29/29 \$3200
							1/30/30 1200	Interest on sum paid	
								Balance	6/29/29 36.00
								Interest on balance	1/30/30 36.00
2	6/1/28	Smith, A.	80	500M	550M	\$1500	6/1/29 \$1000	Interest on balance	1/1/30 \$15.00
							1/1/30 500		

(1) Secured at termination of job by totaling the "M. B.F. recorded in the "Quantity" column in sheet 5, "Sales and Receipts."

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LABOR IN BOOK

A record of time put in and payments received by each workman

Name	Hours worked										Weekly total		Paid	Due
	Jan. 4	5	6	7	8	9	10	Hrs.	Earned	Job 1	Job 2	Amount		
Jones, J.		5	10	10	3	10	10	48	\$24.00			1/12/31 \$20.00	\$4.00	
W. Rita, H.		5	10	10	3	10	10	48	14.40			14.40	--	
Brewer, O.		5	10	10	3	10	10	48	14.40			10.00	4.40	
Smith, J.		5	10	10	3	10	10	48	14.40			14.40	--	
Gray, H.		5	10	10	3	10	10	48	14.40			14.40	--	
Mills, W.		5	10	10	3	10	10	48	14.40			0	14.40	
Jan. 11		12	13	14	15	16	17							
Jones, J.		10	8	10	10	5	10	53	26.50			1/17/31 30.50	--	
W. Rita, H.		10	8	10	10	5	10	53	15.90			15.90	--	
Brewer, O.		10	8	10	10	5	10	53	15.90			16.90	3.40	
Smith, J.		10	10	10	10	5	10	55	3.00			\$13.50	--	
Gray, H.		10	10	10	10	5	10	55	3.00			13.50	--	
Mills, W.		10	10	10	10	5	10	55	3.00			13.50	2.90	
Sheet total									\$163.30			\$40.50		

Include labor costs incidental to moving mill to the job as well as new set-up costs within the tract. Do not include owner's time.

MAINTENANCE AND SUPPLIES SHEET FOR JOB #1

A record of charges made for items required for the operation

Item	Date purchased	Bought from	Total cost	Paid Amount	charged to Job #1
2 files	11/1/31	Gray & Co.	\$.25	\$.25	11/1/31 \$.25 ⁽¹⁾
1 tractor	11/1/31	Shanger Storage	1500.00	500.00	11/1/31
				100.00	2/2/31
1 saw	11/2/31	Anderson, W. P.	12.00	12.00	11/2/31 12.00
1 chain	11/3/31	Gray & Co.	4.50	4.50	11/3/31 4.50
50 gals. gas	11/3/31	Shanger Storage	10.00	10.00	11/10/31 10.00
2 tons hay	11/5/31	Farmers Grain Co.	30.00	30.00	11/31/31 30.00
1 pulley	11/5/31	Gray & Co.	4.80	4.80	11/5/31 4.80
Amount charged to Job #1 for depreciation of equipment.					
(Transfer total of column 2, sheet 4)					\$ 700.00

(1) Items likely to be completely consumed on one job are wholly charged to that job.

(2) Items good for several jobs are carried on a separate sheet, "Equipment Depreciation Account," costs prorated over several jobs, and the total chargeable to this job transferred to last column of this sheet. Last column only is required to get total costs of operation. Other columns to be kept if operator desires a record of purchases and payments.



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EQUIPMENT DEPRECIATION ACCOUNT - JOB #1

A record of the portion of the total estimated equipment costs which should be shared by this job.

	Value carried from previous jobs	Charged to Job #1	Carried by future jobs	Date of full depreciation
	Column 1	Column 2	Column 3	Column 4
<i>Sawmill</i>	To start this column allot a value in proportion to the estimated remaining useful life based on figures in sheet 5. After first job for values in this column transfer the sums in column 3, sheet 4 of previous job.	Divide sum in Col. 1 by the number of months between end of previous operation and date of full depreciation and multiply by the months from previous job to end of current job. If item is replaced before date of full depreciation charge to current job sum in Col. 1 together with depreciation on new item. If item outlasts date of full depreciation no charge is carried in any column until replaced.	Difference between amounts in Columns 1 and 2.	Add to date of purchase the estimated life of item shown in table, sheet 5. Transfer after each job by changing to conform to actual service rendered.
<i>Saw</i>				
<i>Tractor</i>				
<i>Belt 60'</i>				
<i>Rolls</i>				
<i>Edger</i>				
<i>Cut off saw</i>				
<i>Belt 20'</i>				
<i>Belt 50'</i>				
<i>Horses-Bill</i>				
<i>Nancy</i>				
<i>Fanny</i>				
<i>Spot</i>				
<i>Harness #1</i>				
<i>Harness #2</i>				
<i>Wagon #1</i>				
<i>Wagon #2</i>				
<i>Truck</i>				
Bought on current job. Purchase cost				
<i>Tractor</i>	<i>\$1500.00</i>	<i>\$300.00</i>	<i>\$1200.00</i>	<i>11/1/34</i>

RATE OF DEPRECIATION

A table as a guide in estimating how long an item should last

Item	Estimated useful life Years	Average wrecking value Per cent
Camps - Tent	3	0
Harness	5	15
Horses and mules	5	15
Motor equipment:		
Caterpillars	3	10
Tractors	4	10
Trucks	3	15
Sawmill:		
Husk frame and carriage -		
Portable	8	15
Permanent	12	15
Dead rolls	10	0
Edger	10	15
Saws - Circular	4	0
Small tools:		
Crosscut saws, axes, hammers, wedges, cant hooks	1	0
Wagons - Log	2	0
Lumber hauling	5	0

SALES AND RECEIPTS

A record of sales and payments received by owner

Date	To whom sold	Quantity	Price per unit	Total bill	ALLOWANCES	Net of sales	Advances and collections	Job No.	Salvage receipts
1/10/31	Jones, J. Canton	100 ties	\$ 20.00	\$ 70.00	\$ 4.00	\$ 105.00	\$ 106.00	1	
1/10/31	Bell, C. R. Athens	12 MB + Bt.	32.00	384.00	6.00	378.00	100.00	1	\$ 15.00
1/12/31	Anderson, J. Belhi	13 M #1C	25.00	325.00	5.00	320.00	100.00	1	
							120.00	2/28/31	

(1) May comprise transportation paid by buyer and billed back to operator, allowances for rejects, bad accounts, etc.

(2) Comprises items of equipment sold.

BALANCE SHEET FOR JOB #1

	Costs	Receipts
Timber	Total purchase price plus total carrying costs from sheet #1.	Total net of sales for job from sheet #6.
Labor	Grand total for job taken from "Sheet Totals" of sheet #2.	X X
Maintenance and supplies	Total "Amount Charged to Job" from sheet #3.	Total salvage for job from sheet #6.
Miscellaneous - Legal fees, insurance, interest, and taxes additional to sheet #1, etc.	Entered directly in this column as incurred.	X X
Total	"Out of pocket" costs	Balance (1) Subtract total costs from total receipts
Per M B.F.	Divide total cost by M B.F. taken from "Quantity-Actual" column of sheet #1.	Subtract costs per M B.F. Divide total receipts by M B.F. per M B.F.

(1) This balance is the sum from this job going to operator as compensation for (a) interest on the money he must tie up in the business and (b) payment for his time. In case he wishes to separate these he can approximate how much (a) should be by multiplying his capital investment by 5 per cent. His capital investment includes the following:

Timber.--Capital investment in timber is an item only when operator pays for it in advance of receiving payment for its products. Get the average payment for this particular job by referring to sheet 1, "Paid-Amount" column. Multiply this by an interval made up of 1/12 the estimated months this keeps mill supplied plus 1/12 the estimated months between sawing and collection for a day's cut.

Plant and Equipment.--Capital invested in plant and equipment is obtained by taking the total in sheet 4, column 1, multiplying by the proportion of one year required for the job, and adding the sum which the operator keeps on hand, between payments received for lumber, to meet the costs of items entirely consumed on the job.

Labor.--Capital invested in labor is obtained by taking the average daily payroll multiplied by the average number of working days separating the sawing and collection for a day's cut.

